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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, March 1, 2001

APPLICATION OF

BARC ELECTRIC COOPERATIVE

CASE NO. PUE010002

For a functional
separation plan

AMENDING ORDER

On December 29, 2000, BARC Electric Cooperative ("BARC" or the "Cooperative") filed an application with the State Corporation Commission ("Commission") for approval of the Cooperative's plan for functional separation pursuant to § 56-590 of the Virginia Electric Utility Restructuring Act, Chapter 23 (§ 56-576 et seq.) of Title 56 of the Code of Virginia, and the Commission's Regulations Governing the Functional Separation of Incumbent Electric Utilities Under the Virginia Electric Utility Restructuring Act ("Functional Separation Rules"), 20 VAC 5-202-10 et seq., adopted in Case No. PUA000029.

In its application, BARC requested a waiver of 20 VAC 5-202-40 B 7 of the Functional Separation Rules. That rule, among other things, requires the Cooperative to file a cost of service study based on a test year beginning no earlier than January 1, 1999. In support of its request, BARC noted that it already had

filed a cost of service study with its rate application in Case No. PUE000232. The cost of service study filed in Case No. PUE000232 was based on a test year beginning July 1, 1998. The Cooperative also requested a waiver of 20 VAC 5-202-40 B 8 of the Functional Separation Rules that requires the Cooperative to file its unbundled tariff rates and terms and conditions of service with its functional separation plan. BARC stated that it had filed unbundled tariff rates and terms and conditions of service with its rate application in Case No. PUE000232, and requested that the Commission accept such information for the purposes of its application in this matter.

On February 5, 2001, the Commission issued an Order Prescribing Notice and Inviting Comments and Requests for Hearing in the above-captioned matter, that among other things, docketed the matter, directed BARC to provide notice to the public of its application on or before March 1, 2000, and invited interested persons the opportunity to comment or request a hearing on BARC's application. We directed BARC to submit its cost of service study and tariff rates and terms and conditions of service on or before March 1, 2000. We invited interested parties, including Commission Staff, to file their comments on the Cooperative's request that it be permitted to utilize a test period in its cost of service study commencing prior to January 1, 1999.

On February 23, 2001, BARC filed a motion, renewing its petition for a waiver of the filing of the terms and conditions of service in this matter. The Cooperative noted that it will file a cost of service study that includes proposed unbundled rates on or before March 1, 2001, as required by our February 5, 2001, Order.

NOW THE COMMISSION, upon reconsideration of the request for waiver, is of the opinion that at this time BARC should be granted a waiver of the requirement of 20 VAC 5-202-40 B 8 to the extent that BARC shall not be required to file terms and conditions supporting its proposed rates at this time. We will however, direct BARC to file its terms and conditions of service in this proceeding in time to be fully considered by the Commission and to permit appropriate public notice, if necessary prior to implementation of retail choice for the Cooperative. We further find that the Cooperative should be directed to publish the notice prescribed below in lieu of the notice contained in Ordering Paragraph (8) of our February 5, 2001, Order.

Accordingly, IT IS ORDERED THAT:

(1) BARC Electric Cooperative's request for a waiver of the requirement of 20 VAC 5-202-40 B 8 of the Functional Separation Rules to file terms and conditions of service is hereby granted in part. The Cooperative shall file its cost of

service study and its unbundled rates as it has represented on or before March 1, 2001.

(2) Upon further order of the Commission, the Cooperative shall be required to file its terms and conditions of service with the Commission in time for it to fully consider them and to require notice to the public, if necessary and appropriate, prior to the Cooperative's implementation of retail choice of supply to its customers.

(3) On or before March 23, 2001, BARC shall cause the following notice to be published as display advertising (not classified) in the May publication of Cooperative Living in lieu of the notice prescribed in Ordering Paragraph (8) of the February 5, 2001, Order Prescribing Notice and Inviting Comments and Requests for Hearing:

NOTICE TO THE PUBLIC OF AN APPLICATION BY
BARC ELECTRIC COOPERATIVE, FOR A
FUNCTIONAL SEPARATION PLAN
CASE NO. PUE010002

On December 29, 2000, BARC Electric Cooperative ("BARC" or the "Cooperative") filed an application with the State Corporation Commission ("Commission") concerning the Cooperative's plan for functional separation pursuant to § 56-590 of the Virginia Electric Utility Restructuring Act ("the Act"), Chapter 23 (§ 56-576 et seq.) of Title 56 of the Code of Virginia, and the Commission's Regulations Governing the Functional Separation of Incumbent Electric Utilities Under the Virginia Electric Utility Restructuring Act ("Functional Separation

Rules"), 20 VAC 5-202-10 et seq., adopted in Case NO. PUA000029.

In its application, BARC proposes to separate or functionally unbundle its distribution costs of providing electric service from its generation costs of providing service. BARC advises that it does not propose to transfer or sell any assets or liabilities to a functionally separate entity or third party at this time.

BARC requests a waiver of 20 VAC 5-202-40 B 7 and 8 of the Commission's Functional Separation Rules which require applications for functional separation to include a cost of service study using a test period no earlier than January 1, 1999, and unbundled tariff rates and terms and conditions of service with the application. The Cooperative requests the Commission to accept its cost of service study and unbundled tariff rates and terms and conditions of service filed in its rate application proceeding, Case No. PUE000232, for the purposes of this proceeding.

The Commission has directed BARC to file the cost of service study and the unbundled rates it proposes in support of its application for functional separation in the docket assigned to its functional separation application, Case No. PUE010002. Further, the Commission has requested that interested parties comment on whether the Cooperative should be permitted to employ a cost of service study employing a test year commencing prior to January 1, 1999, and thus be granted a waiver of the requirement in the Functional Separation Rules that the Cooperative's cost of service study employ a test year commencing no earlier than January 1, 1999. The Cooperative's request for a waiver of filing tariff terms and conditions of service has been granted. Upon further order of the Commission, however, the Cooperative will be required to

file its tariff terms and conditions of service with the Commission in time for the Commission to fully consider them and to require notice to and opportunity for comment from the public, if necessary and appropriate, prior to the Cooperative's implementation of retail choice of supply to its customers.

A copy of BARC's application is available for inspection during regular business hours at the State Corporation Commission, Document Control Center, First Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia. Interested persons may obtain a copy of the application by requesting a copy of the same in writing from counsel for BARC at the address noted below.

Any interested person wishing to comment or request a hearing on BARC's application for a functional separation plan, or on the Cooperative's request for waiver of 20 VAC 5-202-40 B 7 a, requiring the cost of service study supporting the Cooperative's application to employ a test year commencing no earlier than January 1, 1999, shall file an original and five (5) copies of such comments or requests for hearing on or before June 15, 2001, with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218. All comments and requests for hearing shall refer to Case No. PUE010002. Any request for hearing shall identify the factual issues likely to be in dispute upon which the interested person seeks a hearing, together with the evidence expected to be introduced at any hearing convened by the Commission. If no sufficient request for hearing is received, the Commission may consider BARC's application based upon the written pleadings and comments filed in this matter and without convening a hearing at which oral testimony is received.

Any person filing comments or a request for hearing shall mail a copy of the same on or before June 15, 2001, to counsel for the Cooperative, John A. Pirko, Esquire, and Robert A. Omberg, Esquire, LeClair Ryan, P.C., 4201 Dominion Boulevard, Suite 200, Glen Allen, Virginia 23060.

All correspondence regarding this application shall refer to Case No. PUE010002, and should be directed to Joel H. Peck, Clerk of the Commission, at the address set forth above. Interested persons should review the Commission's Order Prescribing Notice and Inviting Comments and Requests for Hearing and the Commission's Amending Order, for detailed instructions on discovery and further participation in this proceeding.

BARC ELECTRIC COOPERATIVE

(4) BARC shall forthwith serve a copy of this Order on the Chairman of the Board of Supervisors of any county and upon the Mayor or Manager of any county, city, or town (or on equivalent officials in counties, cities, and towns having alternate forms of government) in the Cooperative's service territory. Service shall be made by first-class mail or delivery to the customary place of business or residence of the person served.

(5) All other provisions of our February 5, 2001 Order Prescribing Notice and Inviting Comments and Requests for Hearing shall remain in effect.

(6) This matter is continued for further orders of the Commission.